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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

JUL 28 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Local Exchange Carriers')
Rates, Terms, and Conditions)
for Expanded Interconnection)
Through Physical Collocation)
for Special Access and Switched Transport)

CC Docket No. 93-162

PACIFIC BELL'S REFUND PLAN

I. INTRODUCTION

Pacific Bell hereby files its Refund Plan in compliance with the Commission's *Second Report and Order*, released June 13, 1997 in the above-captioned proceeding.¹ This Refund Plan is for those central offices for which Pacific Bell is filing tariff revisions on July 28, 1997. Pacific Bell will make its additional compliance filings in two stages on August 21, 1997 and September 11, 1997, in accordance with the Commission's *Order* released July 25, 1997 in this proceeding, which granted Pacific Bell an extension of time.

¹ Our compliance with the *Order* does not, of course, constitute a waiver of our right to appeal any issue arising in the *Order*. Further, the cost information provided in filings to comply with the *Order* does not reflect Pacific Bell's cost of providing collocation, but instead reflects, in whole or in part, derived costs calculated in accordance with the *Order*.

In the *Second Report and Order* ("Order"), the Commission required that the LECs' refund plans include full explanations of how they have complied with the findings of the Order. In the sections that follow, Pacific Bell sets forth this explanation and its plan to provide refunds.

II. COST ADJUSTMENTS FOR PHYSICAL COLLOCATION SERVICES

A. Direct Cost Disallowances

Pacific Bell has met all the requirements for direct cost disallowances (*Order*, para. 63). The Commission required the following disallowances to Pacific Bell's direct costs:

1. Requirement to remove 30 square feet from floor space rates (*Order*, para. 96).
2. Requirement to remove repeater (*Order*, para. 109) and POT bay (*Order*, para. 113) costs from DS1 and DS3 cross connection rates.
3. Requirement to reduce floor space direct costs relative to the industry average plus one standard deviation point (*Order*, para. 190).
4. Requirement to reduce DC power direct costs relative to the industry average plus one standard deviation point (*Order*, para. 206).
5. Requirement to reduce security installation direct costs relative to the industry average plus one standard deviation point (*Order*, para. 240).
6. Requirement to reduce construction direct costs relative to the industry average plus one standard deviation point (*Order*, para. 263).

With regard to requirements 1 and 2 above (the "case-by-case" cost analysis), Pacific Bell removed the square footage for collocator cage access from its floor space function and also removed repeater and POT bay costs from its DS1 and

DS3 cross connections. With regard to requirements 3 thru 6 above (the "function-by-function" average cost analysis), Pacific Bell removed the cost disallowances for the four functions in which the Commission required Pacific Bell to make adjustments.

B. Prescribed Overhead Factors

Pacific Bell made all the required overhead loading disallowances (*Order*, para. 304). The Commission determined that Pacific Bell must reduce its DS1 and DS3 physical collocation rate elements to reflect the lower of (1) the overhead loading factor assigned to each particular physical collocation service DS1 or DS3 rate element; and (2) the lowest overhead factor reflected in its rates for any of its comparable DS1 or DS3 services (*Order*, para. 313). Pacific Bell adjusted its overhead loadings downward to the prescribed level for those functions where the overhead loading exceeded the prescribed level.

III. RATE ADJUSTMENTS

Pacific Bell's method for identifying cost disallowances is detailed in the Description and Justification for Cost and Rate Adjustment Methodology that accompanies Pacific Bell's tariff revisions for Expanded Interconnection Service that are being filed on July 28, 1997. Pacific Bell translates these cost disallowances by tariff review plan ("TRP") function into rate adjustments, as described in the Methodology.

IV. REFUNDS

Pacific Bell's refund amounts for physical collocation services will be based on the difference between the rates that result from the disallowances that

Pacific Bell has made to comply with the *Order* and the actual rates charged to those customers subscribing to Pacific Bell's physical collocation services between December 15, 1994 and the day before Pacific Bell's new rates take effect pursuant to the *Order*. These differences are by central office, for each of six affected rate elements: central office space (recurring), central office space (non-recurring), infrastructure (non-recurring), DC power (recurring), DC power (non-recurring), and power cabling (non-recurring). Refunds will be calculated separately for each rate element and each customer in each central office. All refunds will take into account the quantities of elements purchased, the date they were purchased, and in the case of recurring rates, the length of time the element was in service. Refund calculations will include simple interest and use IRS interest rates (*Order*, para. 392). Partial-month interest will be prorated based on the number of days in the month in question.

V. METHOD OF RATE REFUNDS

Pacific Bell will deliver a check to each collocater for the full amount of its refund.

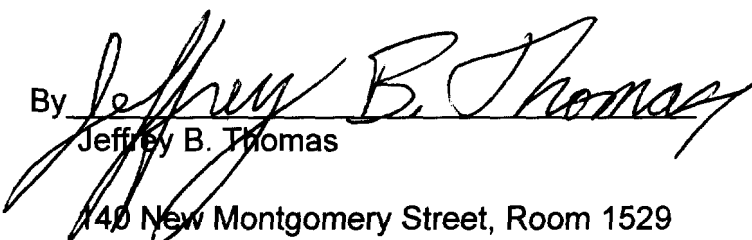
VI. CONCLUSION

Pacific Bell respectfully requests that the Commission accept its refund plan.

Respectfully submitted,

PACIFIC BELL

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